

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 /122 W
-----051083 251853Z /43

R 251804Z JUL 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0587
DEPARTMENT TREASURY
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 04 BONN 13609

USEEC AND USOECD ALSO FOR EMBASSIES

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: ECON, EFIN GW
SUBJECT: FINANCIAL DEVELOPMENTS IN GERMANY (JULY 18 . 24)

1. SUBJECTS COVERED: MONEY SUPPLY (TABLE), BUNDESBANK
FOREIGN POSITION, BANK LIQUIDITY, FOREIGN EXCHANGE
MARKETS (TABLE), MONEY MARKETS (TABLE), BOND MARKET
(TABLE), FOREIGN DM BONDS, ECONOMIC INDICATORS PUBLISHED
THIS WEEK.

2. MONEY SUPPLY:
IN JUNE MONETARY EXPANSION ON A SEASONALLY ADJUSTED
BASIS CONTINUED AT THE RATHER HIGH PACE OF RECENT MONTHS.
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ON A NON-SEASONALLY ADJUSTED BASIS, THE INCREASE WAS
MUCH LOWER. INDIVIDUAL MONETARY AGGREGATES DEVELOPED
AS FOLLOWS:

SEASONALLY ADJUSTED

1977

4TH Q

(MONTHLY

AVERAGE) FEB. MARCH APRIL MAY JUNE P/

M1	0.6	1.6	0.8	1.4	1.8	-0.5
M2	3.5	0.5	-0.8	2.6	1.9	2.9
M3	5.1	1.8	0.3	4.2	3.6	4.6

SEASONALLY NON-ADJUSTED

M1	5.0	1.2	1.2	3.7	4.3	3.1
M2	11.1	0.2	-4.8	5.6	6.9	1.0
M3	14.9	0.7	-6.3	5.9	7.2	1.0

P/ PRELIMINARY

	MAY	JUNE	
	1978	1977	1978
	---	---	---

I. LENDING TO DOMESTIC NON-

BANKS 9.8 11.7 16.1

FROM BUNDESBANK 1.3 -1.4 0.5

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FROM COMMERCIAL BANKS 8.5 13.1 15.6

TO PUBLIC SECTOR 0.8 1.9 3.3

TO PRIVATE SECTOR 7.7 11.2 12.3

II. NET EXTERNAL POSITION OF

BUNDESBANK AND COMMERCIAL

BANKS -0.5 2.1 1.2

III. LONG-TERM BANK DEPOSITS

AND OUTSTANDING BANK

BONDS (1) 4.3 3.0 4.0

IV. OFFICIAL ASSETS HELD AT

CENTRAL BANK -2.0 2.8 3.6

V. OTHER -0.2 9.6 8.7

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FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 /122 W
-----051107 251918Z /46

R 251804Z JUL 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0588
DEPARTMENT TREASURY
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

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VI. M3 (2) (EQUALS I PLUS II
MINUS III MINUS IV
MINUS V) 7.2 -1.6 1.0
VII. M2 (M3 MINUS SAVINGS
DEPOSITS) 6.9 -1.5 1.0
VIII. M1 (M2 MINUS TIME
DEPOSITS) 4.3 3.4 3.1

(1) EXCLUDING SIGHT DEPOSITS, TIME DEPOSITS WITH MATU-
RITIES UP TO 4 YEARS, AND SAVINGS DEPOSITS WITH 3-MONTH
PERIOD OF NOTICE, AND BONDS HELD BY BANKS. (2) CURRENCY
IN CIRCULATION, SIGHT DEPOSITS, TIME DEPOSITS WITH
MATURITIES UP TO 4 YEARS AND SAVINGS DEPOSITS WITH 3-
MONTH PERIOD OF NOTICE.

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3. BUNDESBANK FOREIGN POSITION:
DURING THE PERIOD JULY 8 - 15 THE BUNDESBANK'S NET
FOREIGN POSITION DECLINED BY DM 0.1 BILLION TO DM 89.5
BILLION. FOREIGN EXCHANGE HOLDINGS DECLINED BY DM 67
MILLION AND CREDITS TO FOREIGN MONETARY AUTHORITIES
BY DM 27 MILLION. SDR HOLDINGS INCREASED BY DM 10
MILLION AND FOREIGN LIABILITIES BY ABOUT DM 15 MILLION.

4. BANK LIQUIDITY:

DURING THE SAME PERIOD BANK LIQUIDITY DECLINED BY DM 1.0 BILLION. MAJOR FACTORS REDUCING LIQUIDITY WERE A DM 2.0 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK AND PAYMENTS FOR THE MINOR MID-JULY TAX DATE. THE LATTER INCREASED FEDERAL GOVERNMENT ASSETS BY DM 0.9 BILLION (TO DM 3.2 BILLION) AND STATE GOVERNMENT ASSETS BY DM 0.6 BILLION (TO DM 4.9 BILLION). FACTORS INCREASING LIQUIDITY WERE A DM 0.5 BILLION DECLINE IN CURRENCY IN CIRCULATION AND BUNDESBANK PURCHASES OF DOMESTIC BONDS OF DM 0.6 BILLION. OTHER FACTORS, NET, INCREASED LIQUIDITY BY DM 1.4 BILLION. THE BANKS FINANCED THE DECLINE IN LIQUIDITY BY INCREASING REDISCOUNT BORROWINGS BY DM 1.2 BILLION. AT THE SAME TIME THEY REDUCED LOMBARD BORROWINGS BY DM 0.2 BILLION.

5. FOREIGN EXCHANGE MARKET:

DURING THE REPORTING PERIOD THE DOLLAR WEAKENED ON THE GERMAN FOREIGN EXCHANGE MARKET. FRANKFURT SPOT AND FORWARD DOLLAR RATES DURING THE PERIOD JULY 18-25 WERE AS FOLLOWS:

SPOT DOLLARS FORWARD DOLLARS
(IN DM PER \$1.--) (IN PCT. PER ANNUM)
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	OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MONTH
	-----	-----	-----	-----	-----
JULY 18	2.0640	2.0651	2.0675	-4.7	-5.0
19	2.0605	2.0615	2.0605	-4.2	-4.8
20	2.0610	2.0616	2.0585	-4.6	-4.8
21	2.0560	2.0544	2.0520	-5.3	-4.9
24	2.0375	2.0376	2.0415	-5.1	-5.0
25	2.0360	2.0470	N.A.	N.A.	N.A.

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ACTION EUR-12

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 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
 SIL-01 L-03 H-02 PA-02 /122 W
 -----051176 251855Z /43

R 251804Z JUL 78
 FM AMEMBASSY BONN
 TO SECSTATE WASHDC 0589
 DEPARTMENT TREASURY
 INFO AMEMBASSY BRUSSELS
 AMEMBASSY LONDON
 AMEMBASSY PARIS
 AMEMBASSY ROME
 AMEMBASSY TOKYO
 AMCONSUL FRANKFURT

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6. MONEY MARKET:

CALL MONEY RATES FELL TO ABOUT THE LEVEL OF THE LOMBARD LENDING RATES FOR THE FIRST TIME IN SEVERAL WEEKS DURING THE PERIOD UNDER REVIEW. THE PASSING OF THE JULY TAX DATE HAS REPORTEDLY CONTRIBUTED TO THE SLIGHT EASING IN OVERNIGHT LENDING RATES. ONE AND THREE MONTH RATES WERE UNCHANGED. FOR THE PERIOD, FRANKFURT INTERBANK LENDING RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH	THREE-MONTH
	-----	-----	-----
JULY 18	3.50-3.55	3.65	3.75
19	3.50-3.55	3.65	3.75
20	3.50-3.55	3.65	3.75

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21	3.45-3.55	3.65	3.75
24	3.45-3.50	3.65	3.75

7. BOND MARKET:

PRICES FELL RATHER SHARPLY ON MARKET FOR DOMESTIC BONDS IN THE PAST WEEK ALL ACROSS THE RANGE OF MATURITIES. THE BUNDESBANK STEPPED IN TO SUPPORT PRICES, PURCHASING DM 1.2 BILLION IN BONDS DURING THE PERIOD. OBSERVERS ARE CALLING THE RECENT DOWNWARD MOVEMENT IN BOND PRICES ASTONISHING AND ALMOST UNPARALLELED. STABILIZATION OF THE MARKET IS NOT EXPECTED UNTIL THE GOVERNMENT'S STIMULUS

PROGRAM BECOMES CLEARLY DEFINED AND INVESTORS CAN JUDGE
ADDITIONAL BORROWING NEEDS OF PUBLIC AUTHORITIES.

REMAINING MATURITY

(YEARS)	1	3	5	7	9	10
JULY 23	4.55	6.00	6.50	6.65	6.75	6.85
JULY 16	4.35	5.70	6.15	6.40	6.60	6.70

ON JULY 18 THE PUBLIC UTILITY BADENWERK A.G. OFFERED A
DM 100 MILLION LOAN (COUPON 6 PERCENT, ISSUE PRICE 98 1/2
MATURITY 13 YEARS WITH REPAYMENT TO BEGIN AFTER 6 YEARS.

8. FOREIGN DM BONDS:

THE DM 30 MILLION CONVERTIBLE BOND ISSUE OF THE JAPANESE
TOKYU CAR CORP. (SEE BONN 12691) WILL BE OFFERED AT A
COUPON OF 3 1/2 PERCENT, AN ISSUE PRICE OF 100 AND A
MATURITY OF 8 YEARS. THEY MAY BE CONVERTED INTO TOKYU
COMMON STOCK BEGINNING SEPTEMBER 1, 1978. THE IBRD
WILL ISSUE A LOAN OF DM 400 MILLION IN TWO TRANCHES OF
DM 200 MILLION EACH. ONE TRANCHE WILL CARRY A COUPON OF
6 PERCENT, AN ISSUE PRICE OF 98 AND A MATURITY OF 10
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YEARS, THE OTHER A COUPON OF 5 3/4 PERCENT, AN ISSUE
PRICE OF 99 1/2 AND A MATURITY OF 6 YEARS. THE AUSTRIAN
KONTROLL BANK A.G. AND THE EUROPEAN INVESTMENT BANK (EIB)
WILL PRIVATELY PLACE BONDS OF DM 75 MILLION EACH.
CONDITIONS FOR KONTROLLBANK BONDS ARE EXPECTED TO BE A
COUPON OF 5 3/4 PERCENT AND A MATURITY OF 7 YEARS.
THE PROBABLE CONDITIONS FOR THE EIB ISSUE ARE A COUPON
OF 6 PERCENT, AN ISSUE PRICE OF 99 1/2 AND A MATURITY
OF 10 YEARS. TOKYO BASED KORAKORUM STADIUM
CO. LTD. IS ALSO PLANNING A DM 40 MILLION CONVERTIBLE
BOND ISSUE. TERMS CURRENTLY UNDER DISCUSSION ARE;
8 1/2 YEAR MATURITY, 3 1/2 PERCENT COUPON, AN ISSUE
PRICE OF 100 WITH CONVERSION PRIVILEGE BEGINNING ON
SEPTEMBER 1, 1978.

9. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

SEASONALLY ADJUSTED BUNDESBANK DATA

MARCH	APRIL	MAY	JUNE
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RETAIL SALES VOLUME

(1970 EQUALS 100)	123	122	121	--
VOLUME OF TRADE				

(DM BILLION)

EXPORTS	17.35	17.77	16.65	--
IMPORTS	15.06	15.98	15.12	--

VOLUME OF ORDERS FOR

CONSTRUCTION OF

HOUSING UNITS

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 ICA-20 AID-05 EB-08

NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 /122 W

-----051125 251852Z /43

R 251804Z JUL 78

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0590

DEPARTMENT TREASURY

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMCONSUL FRANKFURT

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(1971 EQUALS 100) 1/ 95 92 -- --

LIVING COSTS

(1970 EQUALS 100) 149.3 149.5 149.9 150.0

INDUSTRIAL PRODUCER

PRICES

(1970 EQUALS 100) 145.1 145.1 145.6 146.1

AGRICULTURAL PRODUCER

PRICES

(1970 EQUALS 100) 139.2 137.1 137.7 --

INDUSTRIAL WAGES PER

EMPLOYEE

(1970 EQUALS 100) 192 201 -- --

1/ NEW SERIES

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NON-SEASONALLY ADJUSTED FIGURES

FEB MARCH APRIL MAY

INSOLVENCIES TOTAL 750 869 747 711

PERCENT CHANGE FROM

PREVIOUS YEAR -10.5 -4.1 1.2 -11.3

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
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From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780720/aaaaardb.tel
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EUR
Original Classification: UNCLASSIFIED
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Review Release Date: N/A
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TAGS: ECON, EFIN, GE
To: STATE TRSY MULTIPLE
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